

**COMMUNITY FOUNDATION  
OF NORTHWEST MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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# F. O. GIVENS & COMPANY

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FRANK O. GIVENS, III  
Certified Public Accountant

W. BUFORD GIVENS  
Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Community Foundation of Northwest Mississippi

We have audited the accompanying financial statements of the Community Foundation of Northwest Mississippi (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Northwest Mississippi as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*F. O. Givens & Co.*  
F. O. Givens & Co.  
Southaven, Mississippi  
August 10, 2019

**Community Foundation of Northwest Mississippi  
Statements of Financial Position  
Years Ended December 31, 2018 and 2017**

	2018		2017
<b>ASSETS</b>			
Cash and Cash Equivalents	1,416,475	\$	1,735,549
Investments (Note B)	14,614,683		14,137,232
Grants Receivable	825,000		656,366
Promises to Give (Note E)	676,803		1,618,664
Property and Equipment Net (Note F)	3,897		535
<b>TOTAL ASSETS</b>	<b>\$ 17,536,858</b>		<b>\$ 18,148,346</b>
<b>LIABILITIES</b>			
Accounts Payable	1,235	\$	22,469
Amounts Held on Behalf of Others	1,089,335		1,196,819
Deferred Revenue	825,000		656,366
<b>TOTAL LIABILITIES</b>	<b>1,915,570</b>		<b>1,875,654</b>
<b>NET ASSETS</b>			
Net Assets without Donor Restrictions	14,944,485		14,654,028
Net Assets with Donor Restrictions (Note H)	676,803		1,618,664
<b>TOTAL NET ASSETS</b>	<b>15,621,288</b>		<b>16,272,692</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,536,858</b>		<b>\$ 18,148,346</b>

The notes to the financial statements are an integral part of this statement.

**Community Foundation of Northwest Mississippi**  
**Statements of Activities**  
**Years Ended December 31, 2018 and 2017**

	2018			2017		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Public Support						
Contributions	\$ 4,048,800	\$ -	\$ 4,048,800	\$ 2,041,632	\$ -	\$ 2,041,632
Fundraising	387,500	-	387,500	422,952	-	422,952
Administrative Revenue	147,842	-	147,842	145,828	-	145,828
Interest & Dividend Income	504,916	-	504,916	406,135	-	406,135
Net Unrealized & Realized Gain/(Loss) on Investments	(1,798,363)	-	(1,798,363)	1,056,401	-	1,056,401
Miscellaneous Income	180,971	-	180,971	79,030	-	79,030
<b>TOTAL INCOME</b>	<u>3,471,666</u>	<u>-</u>	<u>3,471,666</u>	<u>4,151,978</u>	<u>-</u>	<u>4,151,978</u>
Net Assets Put Under / Released From Restriction	941,862	(941,862)	-	954,847	(954,847)	-
<b>Total income and Net Assets Put Under Restriction</b>	<u>4,413,528</u>	<u>(941,862)</u>	<u>3,471,666</u>	<u>5,106,825</u>	<u>(954,847)</u>	<u>4,151,978</u>
Programs						
Programs Expenses	3,757,307	-	3,757,307	2,721,596	-	2,721,596
Supporting Services						
Fundraising	268,583	-	268,583	309,350	-	309,350
Administrative	97,181	-	97,181	91,029	-	91,029
<b>TOTAL EXPENSES</b>	<u>4,123,071</u>	<u>-</u>	<u>4,123,071</u>	<u>3,121,975</u>	<u>-</u>	<u>3,121,975</u>
<b>CHANGE IN NET ASSETS</b>	<u>290,457</u>	<u>(941,862)</u>	<u>(651,405)</u>	<u>1,984,850</u>	<u>(954,847)</u>	<u>1,030,003</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	14,654,028	1,618,665	16,272,693	12,669,178	2,573,511	15,242,689
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-	-
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 14,944,485</u>	<u>\$ 676,803</u>	<u>\$ 15,621,288</u>	<u>\$ 14,654,028</u>	<u>\$ 1,618,664</u>	<u>\$ 16,272,692</u>

The notes to the financial statements are an integral part of this statement.

**Community Foundation of Northwest Mississippi  
Statements of Cash Flows  
Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase/(Decrease) in Net Assets	\$ (651,405)	\$ 1,030,003
Adjustments to reconcile increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,640	1,114
Unrealized (Gain)/Loss on Investments	1,890,797	(481,664)
Realized (Gain)/Loss on Investments	(92,434)	(574,737)
(Increase)/Decrease in Operating Assets		
Grants Receivable	(168,634)	708,126
Promises to Give	941,861	954,847
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(21,234)	21,371
Agency Funds	(107,484)	79,558
Deferred Revenue	168,634	(708,126)
Net Cash Provided/(Used) by Operating Activities	1,961,741	1,030,492
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(5,002)	-
(Increase)/Decrease in Investments	(2,275,813)	234,756
Net Cash Provided/ (Used) by Investing Activities	(2,280,815)	234,756
Net Increase/(Decrease) in Cash and Cash Equivalents	(319,074)	1,265,248
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,735,549</b>	<b>470,301</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,416,475</b>	<b>\$ 1,735,549</b>

The notes to the financial statements are an integral part of this statement.

Community Foundation of Northwest Mississippi  
 Statements of Functional Expenses  
 Years Ended December 31, 2018 and 2017

	2018				2017			
	Programs	Fundraising	Administrative	Total	Programs	Fundraising	Administrative	Total
Advertising	\$ 19,973	\$ 47,537	\$ 37	67,547	\$ 28,315	\$ 74,640	\$ 39	\$ 102,994
Bank Charges	5,301	3,856	107	9,264	4,912	4,128	106	9,146
Continuing Education	270	90	90	450	67	14	14	95
Depreciation Expense	-	-	1,640	1,640	-	-	1,114	1,114
Dues and Subscriptions	5,877	-	1,444	7,321	2,405	-	560	2,965
Crystal Ball Event Production	-	123,182	-	123,182	-	140,810	-	140,810
Insurance	1,567	523	523	2,613	3,454	1,151	1,151	5,756
Professional Fees	8,382	2,794	2,794	13,970	405,925	2,596	2,596	411,117
Miscellaneous	2,767	922	922	4,611	1,392	464	464	2,320
Office Expense	13,473	3,702	3,702	20,877	15,515	3,860	3,860	23,235
Postage	1,262	340	340	1,942	2,379	547	547	3,473
Grants, Scholarships, & Activities	3,380,929	-	-	3,380,929	1,947,346	-	-	1,947,346
Rent and Utilities	19,696	5,159	5,159	30,014	20,508	5,214	5,214	30,936
Repairs and Maintenance	9,724	3,241	3,241	16,206	8,451	2,817	2,817	14,085
Salaries and Employee Benefits	258,303	70,977	70,977	400,257	254,655	66,508	66,508	387,671
Taxes	17,717	4,801	4,801	27,319	17,480	4,529	4,529	26,538
Travel and Entertainment	12,066	1,459	1,404	14,929	8,792	2,072	1,510	12,374
<b>Total Expenses</b>	<b>\$ 3,757,307</b>	<b>\$ 268,583</b>	<b>\$ 97,181</b>	<b>\$ 4,123,071</b>	<b>\$ 2,721,596</b>	<b>\$ 309,350</b>	<b>\$ 91,029</b>	<b>\$ 3,121,975</b>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018 AND 2017**

**NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

**Organization**

The Community Foundation of Northwest Mississippi, (“the Foundation”) was organized January 7, 2002 as a nonprofit organization. It is dedicated to serving the people of Mississippi’s eleven northwest counties; Bolivar, Coahoma, DeSoto, Leflore, Marshall, Panola, Quitman, Sunflower, Tallahatchie, Tate, and Tunica. The Foundation’s purpose is to provide a flexible, tax-deductible vehicle to meet the needs of donors and philanthropists in Northwest Mississippi and stimulate the establishment of endowed funds that will serve the citizens and non-profit organizations of northwest Mississippi both now and in the future.

Donors contribute to the following fund types:

- Unrestricted Funds- those for which the Foundation has full discretion in making distributions for charitable purposes to meet community needs.
- Donor Advised Funds-unrestricted funds for which the donor has reserved the right to make nonbinding distribution recommendations to the Foundation.
- Field of Interest Funds- those used at the Foundation’s discretion to meet a general field of charitable need specified by the donor.
- Designated Purpose Funds – those used at the Foundation’s discretion to provide support to specific charitable organizations or programs.
- Scholarship Funds – used to provide scholarships for students.

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for the nonprofit industry. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the Foundation’s net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions*- Net assets that are not subject to donor-imposed stipulations
- *Net assets with donor restrictions*- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation or passage of time. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor’s contribution to another beneficiary, such contributions must be classified as net assets without donor restrictions. The Foundation’s Board of Directors has that ability (variance power); however, they would intend to exercise this authority only if the stated purpose of the contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation’s financial statements classify substantially all funds, including the principal of endowment funds, as net assets without donor restrictions, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
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**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated amounts.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Of the total balance of cash and cash equivalents, \$1,240,157 and \$539,206 as of December 31 2018 and 2017, respectively, were held in money market funds with a reputable broker. They are valued using level 1 inputs in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. These investments are not covered by federal deposit insurance. The remaining balances of cash and cash equivalents may exceed federal deposit insurance limits.

**Promises to Give**

Unconditional promises to give are recognized as receivables in the period promised. In 2018 such promises were recorded at present value using the discount rate of 1.37%. There were no new promises recorded in 2018 or 2017. The discount is amortized and recorded as contribution revenue using the effective interest method.

**Grants Receivable**

Conditional promises to give are recognized when the conditions on which they depend are substantively met. The 2018 Grants Receivable consists of two grants awarded by the W.K. Kellogg Foundation, one to increase the breastfeeding rates of extremely low birth weight babies utilizing a multiagency approach to ensure better outcomes and affect systemic change, and the other to increase economic equity for low-wealth communities of color by building access to living wage employment/entrepreneurship skills.

**Donated Assets**

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**Amounts held for others under agency transactions**

If a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as "Amounts held on behalf of others."

**Investments**

Investments consist of equity securities, debt securities, and alternative investments which are carried at fair value if readily determinable and at net asset value per share if not readily determinable.

Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and those changes could materially affect the amounts reported in the Foundation's financial statements.

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**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is recorded at estimated fair market value at date of donation, or at cost if purchased. Depreciation is computed using the straight-line method, and is based on the expected useful asset life which will range from 3 to 25 years. There has not been a policy adopted for applying time restriction for donated long lived assets. Depreciation expense for the year ended December 31, 2018 is \$1,640.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Exemption**

The Foundation is exempt from Federal income taxes under the provisions of the Internal Revenue Code as an entity described in Section 501(c)3. The Foundation is also exempt from state income taxes on related income. The Foundation has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal income tax returns for tax years ended 2014 and beyond remain subject to examination by the Internal Revenue Service.

**Advertising**

The Foundation uses advertising to promote its programs, fundraiser and services to the general public. The cost of advertising is expensed as incurred.

**Revenue Recognition**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications to give are reported at fair value at the date the gift was deemed unconditional. The gifts are recorded as restricted support if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donor-restricted contributions and investment income or gains whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statement.

**Fair Value Measurements**

The Foundation measures fair value of financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy inputs are described below:

Level 1 Quoted prices in active markets for identical assets

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Level 2 Other significant observable inputs (including quoted prices for similar assets, interest rates, and credit risk)

Level 3 Significant unobservable inputs

**Subsequent Events**

The Foundation has evaluated subsequent events through August 10, 2019, the date the financial statements were available to be issued.

**NOTE B: INVESTMENTS**

Investments at December 31 included the following:

	2018	2017
Common and preferred stock	\$ -	\$ 14,686
Bonds	2,036,981	2,912,211
Equity and fixed income funds	12,161,683	10,471,007
Hedge funds	416,019	739,328
	<u>14,614,683</u>	<u>14,137,232</u>
Total investments	\$ 14,614,683	\$ 14,137,232

The foundation's investments include interest in alternative investments. These investments consist primarily of interest in hedge funds. The objective of these hedge funds is to deliver positive returns while maintaining a lower degree of risk, as measured by standard deviation of monthly returns, than the broad equity markets in which it is investing. The assets of the hedge funds are allocated to investment funds that pursue absolute return strategies in the global equity markets, with stronger emphasis on developed equity markets of North America, Europe, and Asia. To achieve its absolute return objective, the investment funds will have the ability to maintain both long and/or short positions in their prospective portfolios. The fund managers will use their discretion in selecting, among other investments, individual stocks, indices, options, and other derivatives, both long and short. The foundation has chosen to invest in alternative investments because they can generate returns that match or exceed publicly traded securities, they carry lower correlations than equity classes relative to one another, and they can have a profound impact on the portfolio's diversification and total return.

There is no public market for alternative investments, and the shares are transferable or redeemable only at the discretion of the funds' investment managers. A determination of net asset value per share is made on a monthly basis, and this net asset value is considered to be the fair value for these investments.

Investment income (loss) for the years ended December 31<sup>st</sup> was as follows:

	2018	2017
Interest and dividends	\$ 504,916	\$ 406,135
Net realized gains (losses) on investments	92,434	574,737
Net unrealized gains (losses) on investments	<u>(1,890,797)</u>	<u>481,664</u>
Total investment income (loss)	\$ <u>(1,293,447)</u>	\$ <u>1,462,536</u>

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Investment income is reported net of fees. The fees for 2018 and 2017 were \$32,710 and \$87,385 respectively.

**NOTE C: FAIR VALUE MEASUREMENTS**

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities. Equity and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. Bonds and Certificates of deposits are valued primarily by custodians based on pricing models that incorporate available trade, bid, and other market information. The fair value of alternative investments is based on the net asset value per share as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table, set forth by level within the fair value hierarchy, presents the foundation's investments at fair value as of December 31, 2018:

	2018			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	\$ -	\$ -	\$ -	\$ -
Bonds:				
Corporate bonds	-	2,016,393	-	2,016,393
Municipal bonds	-	20,588	-	20,588
Equity and fixed income funds:				
Domestic equity & other	11,215,991	-	-	11,215,991
International equity & other	-	-	-	-
Fixed income funds	945,692	-	-	945,692
Subtotal	12,161,683	2,036,981	-	14,198,664
Alternative and other investment funds:				
Multistrategy	-	-	416,019	416,019
Subtotal other	-	-	416,019	416,019
<b>Total investments</b>	<b>\$ 12,161,683</b>	<b>\$ 2,036,981</b>	<b>\$ 416,019</b>	<b>\$ 14,614,683</b>

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
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The foundation uses NAV to determine the fair value of all underlying investments that do not have readily determinable market value. Net asset value was used in 2018 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Vida Longevity Fund	\$416,019	-	Quarterly	180 days 2 yr lock

The following table, set forth by level within the fair value hierarchy, presents the foundation's investments at fair value as of December 31, 2017:

	2017			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	14,686	\$ -	\$ -	\$ 14,686
Bonds:				
Corporate bonds	-	1,470,505	-	1,470,505
Municipal bonds	-	20,757	-	20,757
Equity and fixed income funds:				
Growth funds	7,970,118	-	-	7,970,118
International Equity & Other	3,588,212	-	-	3,588,212
Bond funds	333,626	-	-	333,626
Subtotal	11,906,642	1,491,262	-	13,397,904
Alternative and other investment funds:				
Multistrategy	-	-	739,328	739,328
Subtotal other	-	-	739,328	739,328
Total investments	\$ 11,906,642	\$ 1,491,262	\$ 739,328	\$ 14,137,232

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
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The foundation uses NAV to determine the fair value of all underlying investments that do not have readily determinable market value. Net asset value was used in 2017 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Vida Longevity Fund	\$421,856	-	Quarterly	180 days 2 yr lock
Pine Grove Alternative Funds	\$317,472	-	Quarterly	95 days

Information regarding the changes in the fair value of the foundation's Level 3 investments for the years ended December 31 is as follows:

	2018	2017
Level 3 investments beginning	\$ 739,328	1,771,737
Unrealized gains	(5,837)	147,199
Purchases	-	(150,000)
Fees	-	-
Draws	(317,472)	(1,029,608)
Level 3 investment ending	416,019	739,328

**NOTE D: ENDOWED FUNDS**

The Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and its own governing documents. The Board of Directors has recognized that the majority of the Foundation's contributions are subject to the terms of specific agreements with the Foundation and its Financial Policies and Investment Guidelines. Under the terms of the Bylaws and Financial Policies and Investment Guidelines, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions are classified as unrestricted.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of those endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 8%; enough to make an annual distribution, pay management fees, and maintain its purchasing power. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

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The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute an amount at least equal to 4.5% to 5% of an annual average daily balance of the fair value of the endowment funds. Over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 3% to 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

A summary of endowment net assets by type of fund as of December 31 is as follows:

	2018	2017
Board Designated	\$ 3,736,214	\$ 3,714,909
Designated Purpose	2,254,540	2,625,759
Donor Advised	3,882,618	3,371,744
Field of Interest	2,127,098	2,463,975
Scholarship	630,692	659,768
Total Endowment Funds	<u>\$ 12,631,162</u>	<u>\$ 12,836,155</u>

A summary of changes in endowment net assets as of December 31 is as follows:

	2018	2017
Endowment Net Assets, Beginning of Year	<u>\$ 12,836,155</u>	<u>\$ 10,859,608</u>
Contributions	1,595,640	1,050,169
Interest and Dividends, Net of Fees	471,574	381,207
Realized Gains/ (Losses)	(25,825)	543,618
Grants, Scholarships, & Programs	(362,965)	(323,157)
Administrative Fees	(125,659)	(121,220)
Other Income/ (Expense)	(33,607)	(71,549)
Unrealized Gains/ (Losses)	(1,724,151)	517,479
Change in Endowment Net Assets	<u>\$ (204,993)</u>	<u>\$ 1,976,547</u>
Endowment Net Assets, End of Year	<u>\$ 12,631,162</u>	<u>\$ 12,836,155</u>

**NOTE E: PROMISES TO GIVE**

On January 20, 2005, the Foundation entered into a retroactive grant agreement with the Maddox Foundation for the amount of \$10,000,000. This grant was awarded by the Maddox Foundation for the overall purpose of establishing the Foundation as a viable grant-making institution. This was a ten year grant, commencing January 1, 2004 through December 31, 2013.

The provisions of the grant are as follows:

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- A minimum of \$9,000,000 of the grant shall be used by the Foundation to build permanently endowed funds. All grant funds for endowment building are considered a challenge grant, requiring the Foundation to establish permanently endowed funds that the Maddox Foundation will match on a dollar for dollar basis.
- For every dollar donated to the general permanent endowment of the Foundation, the Maddox Foundation will make equal matching payments into the general permanent endowment of the Foundation.
- For every dollar donated to any other permanently endowed or donor advised funds, the Maddox Foundation will make a payment of 50% of such amounts into the general permanent endowment of the Foundation. The Maddox Foundation will also establish a Maddox Foundation Advised Fund and make a payment equal to 50% of donations to other permanently endowed funds held by the Foundation into the Maddox Foundation Advised Fund.
- A maximum of \$1,000,000 may be used by the Foundation for general operating costs.

The Maddox Foundation promise to give at years ended December 31, 2018 and December 31, 2017 are \$727,162 and \$1,727,162. The current payment plan of the Maddox Foundation is \$1,000,000 per year until paid off. The amount due in less than one year is \$727,162. All promises to give are deemed collectable so there is no allowance for uncollectable balances. Promise to give balances at December 31 are as follows:

	2018	2017
Maddox Foundation	\$ 727,162	\$ 1,727,162
Discount to Present Value	(50,361)	(108,497)
Total	\$ 676,801	\$ 1,618,665

**NOTE F: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	2018	2017
Furniture & Equipment	\$ 26,073	\$ 21,071
Total:	26,073	21,071
Accumulated Depreciation	(22,176)	(20,536)
Net Property and Equipment:	\$ 3,897	\$ 535

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**NOTE G: CURRENT ASSETS AND CURRENT LIABILITIES**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,416,475	\$ 1,735,549
Promises to Give	727,162	1,000,000
Grant Receivable	825,000	656,366
Investments	<u>14,614,683</u>	<u>14,137,232</u>
Total Current Assets	<u>\$17,583,320</u>	<u>\$17,529,147</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,235	\$ 22,469
Deferred Income- Grant Receivable	<u>825,000</u>	<u>656,366</u>
Total Current Liabilities	<u>\$ 826,235</u>	<u>\$ 678,835</u>

**NOTE H: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following balances at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Promises to Give, Due in Future Years	676,803	1,618,664
Total	<u>\$ 676,803</u>	<u>\$ 1,618,664</u>